INDIANA PORT COMMISSION

FINANCIAL STATEMENTS
December 31, 2006 and 2005

INDIANA PORT COMMISSION
Indianapolis, Indiana

FINANCIAL STATEMENTS
December 31, 2006 and 2005

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Crowe

Crowe Chizek and Company LLC
Member Horwath International

REPORT OF INDEPENDENT AUDITORS

The Members of the Commission
Indiana Port Commission
Indianapolis, Indiana

We have audited the accompanying statements of net assets of the Indiana Port Commission as of December 31, 2006 and 2005, and the related statements of revenues and expenses, and changes in net assets, and cash flows for the years then ended. These financial statements are the responsibility of Indiana Port Commission's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and *Guidelines for Audits of State and Local Governments by Authorized Independent Public Accountants*, issued by the Indiana State Board of Accounts. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indiana Port Commission as of December 31, 2006 and 2005, and the results of its operations and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

Management's Discussion and Analysis on pages 3 through 9 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

In accordance with *Government Auditing Standards,* we have also issued our report dated March 30, 2007, on our consideration of the Indiana Port Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Indiana Port Commission taken as a whole. The accompanying Schedule of Port Income from Operations, Schedule of Operating Expenses Compared to Budget for the year ended December 31, 2006 including 2005 comparative information, are presented for the purpose of additional analysis and are not a required part of the basic financial statements. These schedules have been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Indianapolis, Indiana
March 30, 2007

MANAGEMENT'S DISCUSSION AND ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED DECEMBER 31, 2006

This section of the Port's annual financial report presents a discussion and analysis of the Commission's financial performance for the calendar year ended December 31, 2006. Please read it in conjunction with the Commission's financial statements, which follow this section.

FINANCIAL HIGHLIGHTS

The Commission's net assets increased by approximately $1,008,000. Operating income before depreciation was approximately $4,018,000.

OVERVIEW OF THE FINANCIAL STATEMENTS

This financial report consists of four parts: management's discussion and analysis (this section), the basic financial statements, the notes to the financial statements and reports on compliance and internal control over financial reporting.

The Commission's financial statements are prepared on an accrual basis in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. Under this basis of accounting, revenues are recognized in the period in which they are earned, expenses are recognized in the period in which they are incurred, and depreciation of assets is recognized in the Statements of Revenues, Expenses, and Changes in Net Assets. All assets and liabilities associated with the operation of the Commission are included in the Statement of Net Assets.

The financial statements provide both long and short-term information about the Commission's overall financial status. The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data.

FINANCIAL ANALYSIS

Net Assets

The Commission's total assets at December 31, 2006, reached approximately $90,198,000. This represents an increase of $336,000 or .37 percent from the prior year. Total liabilities amounted to $488,000; a decrease of $672,000 or 57.92 percent and total net assets amounted to $89,710,000 an increase of $1,008,000 or 1.14 percent (See Table 1).

Table 1
Net Assets

	2006	2005	2004
Assets:			
Current assets	$ 16,835,084	$ 14,139,401	$ 13,562,466
Capital	72,263,666	74,498,198	73,970,570
Other assets	1,099,401	1,224,381	1,342,357
Total assets	90,198,151	89,861,980	88,875,573
Liabilities:			
Current liabilities	465,380	1,123,178	793,205
Non-current liabilities	22,612	36,379	49,351
Total liabilities	487,992	1,159,557	842,556
Net assets:			
Invested in capital assets	72,263,666	74,498,198	73,970,750
Reserved for security equipment and infrastructure protection	-	-	1,173,010
Unrestricted	17,446,493	14,204,225	11,546,900
Total net assets	89,710,159	88,702,423	88,033,017
Total liabilities and net assets	$ 90,198,151	$ 89,861,980	$ 88,875,573

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED DECEMBER 31, 2006

Changes in Net Assets

The change in net assets at December 31, 2006, was an increase of $1,008,000 or 1.14 percent. The Commission's total operating revenues increased by approximately $681,000 or 10.41 percent. Total operating expenses decreased $169,000 or 2.63 percent. The changes in net assets are detailed in Table 2 and operating expenses are detailed in Table 3.

Table 2
Changes in Net Assets

	2006	2005	2004
Operating Revenues:			
Maritime Services	$ 7,215,917	$ 6,194,840	$ 6,204,162
Other	532,466	549,771	182,836
Total operating revenues	7,748,383	6,744,611	6,422,998
Operating Expenses:			
Operating Expenses	3,730,869	4,019,097	3,979,550
Depreciation	2,556,879	2,438,594	2,385,584
Total Operating Expenses	6,287,748	6,457,691	6,365,134
Operating income gain/(loss)	1,460,635	286,920	57,864
Non-operating revenues (expenses)	(602,899)	382,486	335,445
Capital revenues from state and private programs	150,000	-	2,239,503
Change in net assets	1,007,736	669,406	2,632,812
Total net assets, beginning of year	88,702,423	88,033,017	85,400,205
Total net assets, end of year	$ 89,710,159	$ 88,702,423	$ 88,033,017

Revenues: Operating revenues from Maritime Services increased by $681,000 or 10.41 percent. This increase resulted from new tenants at the ports and an increase in tonnage moving across the docks at all locations. The Ports surpassed last year's tonnage by 11.7% mainly due to the increased steel tonnage moving across the docks at Burns Harbor, increased coal tonnages at Mt. Vernon and increased grain and fertilizer tonnages at Jeffersonville.

Non-operating expenses have increased approximately $603,000 or 258 percent. Within this category, interest income from investments increased approximately $250,000 or 83% percent because of rising interest rates and expenses increased approximately $1,250,000 due to fixed asset disposal of retired assets.

Appropriations for specific capital projects are made to the Commission by the legislature of the State of Indiana. The Commission then receives approval and the allocation of the funds from the State Budget Agency. Once the funds have been allotted, the Commission may request reimbursement of funds disbursed in connection with the specific project. During the current year, the Commission did not receive reimbursements from the State Budget Agency. The Commission did received $150,000 from an existing tenant to help recover expenses associated with cell restoration in Jeffersonville.

Expenses: Total operating expenses decreased $170,000 or 2.63 percent. Operating expenses, not including depreciation, decreased 7.17 percent, primarily due to vacant or eliminated staff positions. The small increase in depreciation expense corresponds with the amounts of projects completed and capitalized within the last few years.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)
YEAR ENDED DECEMBER 31, 2006

Operating expenses are summarized as follows:

Table 3
Operating Expenses

	2006	2005	2004
Labor and Fringe Benefits	$ 2,168,674	$ 2,390,788	$ 2,371,158
Travel and Training	108,520	137,315	185,183
Security Services	226,712	245,451	133,862
Legal Services	79,413	115,069	30,105
Accounting Services	34,664	24,000	24,900
Computer Services	20,537	18,685	30,969
Other Professional Services	96,720	99,046	196,747
Advertising and Public Relations	117,460	96,925	85,153
Insurance	265,539	250,093	252,893
Property Rentals	96,670	95,204	87,869
Office Expenses	108,852	128,481	139,556
Business Association Memberships	86,642	60,802	56,778
Utilities	114,930	103,847	91,252
Maintenance	177,583	210,152	253,650
Bad Debts	-	-	29,815
Other	27,953	43,248	9,660
Depreciation	2,556,879	2,438,594	2,385,584
Total Operating Expenses	$ 6,287,748	$ 6,457,700	$ 6,365,134

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

As of December 31, 2006, the Commission had invested $72,263,666 in capital assets and related assets, net of accumulated depreciation. As compared to the prior year, this amount represents a net decrease (including additions and disposals) of $2,234,532.

There is no outstanding debt other than construction related payables of $0 and $721,000 at December 31, 2006 and 2005.

CURRENTLY KNOWN FACTS

Other than the uncertainty of general economic indicators on the Commission and its customers, there are no significant facts, decisions or conditions that are expected that management believes will have a significant impact on the financial position or results of operations.

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This financial report was designed to provide our stakeholders, patrons, and other interested parties with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Commission at (317) 232-9200.

INDIANA PORT COMMISSION
STATEMENTS OF NET ASSETS
December 31, 2006 and 2005

	2006	2005
ASSETS		
Current assets		
Cash and cash equivalents (Note 2)	$ 6,563,209	$ 5,984,604
Investments (Note 2)	7,500,000	4,514,914
Accrued interest receivable	234,287	103,505
Trade accounts receivable, net	819,141	567,331
Notes receivable with accrued interest - current	553,788	317,100
Grants receivable	-	891,034
Other receivables - current	996,227	17,539
Net investment in direct financing leases- current (Note 4)	131,453	124,980
Prepaid expenses	168,432	193,359
Total current assets	16,966,537	12,714,336
Noncurrent assets		
Notes receivable with accrued interest	-	553,788
Other receivables	-	996,227
Long-term net investment in direct financing lease (Note 4)	967,948	1,099,401
Capital assets, net of accumulated depreciation (Note 3)	72,263,666	74,498,198
Total noncurrent assets	73,231,614	77,147,614
Total assets	$ 90,198,151	$ 89,861,980
LIABILITIES AND NET ASSETS		
Current liabilities		
Accounts payable and other accrued expenses	$ 451,612	$ 388,748
Contracts and retainage payable	-	721,458
Accrued litigation expense	13,768	12,972
Total current liabilities	465,380	1,123,178
Other liabilities		
Long-term accrued litigation expense	22,612	36,379
Total liabilities	487,992	1,159,557
Net Assets		
Invested in capital assets	72,263,666	74,498,198
Unrestricted	17,446,493	14,204,225
	89,710,159	88,702,423
	$ 90,198,151	$ 89,861,980

See accompanying notes to financial statements.

INDIANA PORT COMMISSION
STATEMENTS OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
Years ended December 31, 2006 and 2005

	2006	2005
Operating revenues		
Maritime services	$ 2,471,595	$ 1,937,415
Facility rentals and storage	4,150,942	3,739,455
User fees	520,959	420,220
Foreign trade zone fees	72,421	97,750
Other	532,466	549,771
	7,748,383	6,744,611
Operating expenses before depreciation	3,730,869	4,019,097
Operating income before depreciation	4,017,514	2,725,514
Depreciation expense	2,556,879	2,438,594
Operating income (loss)	1,460,635	286,920
Non-operating revenues (expenses)		
Net interest income	647,197	408,486
Gain (loss) on capital asset dispositions	(1,250,197)	2,877
Other income (expense)	101	(28,877)
	(602,899)	382,486
Income before capital contributions	857,736	669,406
Capital contributions	150,000	-
Change in net assets	1,007,736	669,406
Net assets, at beginning of year	88,702,423	88,033,017
Net assets, at end of year	$ 89,710,159	$ 88,702,423

See accompanying notes to financial statements.

INDIANA PORT COMMISSION
STATEMENTS OF CASH FLOWS
Years ended December 31, 2006 and 2005

	2006	2005
Cash flows from operating activities:		
Receipts from customers and users	$ 7,496,573	$ 6,817,874
Payments to suppliers	(1,457,254)	(1,704,050)
Payments to employees	(1,661,560)	(1,913,705)
Payments of benefits on behalf of employees	(524,264)	(364,761)
Net cash provided by operating activities	3,853,495	2,835,358
Cash flows from capital and related financing activities:		
Contributed capital from state government and others	150,000	(26,514)
Proceeds from direct financing leases	124,980	117,978
Proceeds on notes and other receivables	1,225,672	(704,839)
Payments on litigation settlement	(12,971)	(12,222)
Expenditures for acquisitions and construction of capital assets	(2,181,284)	(2,628,340)
Net cash provided by (used in) capital and related financing	(693,603)	(3,253,937)
Cash flows from investment activities:		
Purchase of investments	(7,500,000)	(4,514,914)
Proceeds from sales and maturities of investments	4,514,914	5,000,195
Investment income received	403,799	375,742
Net cash (used in) for investment activities	(2,581,287)	861,023
Net increase in cash and cash equivalents	578,605	442,444
Cash and cash equivalents, beginning of year	5,984,604	5,542,160
Cash and cash equivalents, end of year	$ 6,563,209	$ 5,984,604
Reconciliation of operating income to net cash provided by (used in) operating activities:		
Operating income	$ 1,460,635	$ 286,920
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,556,879	2,438,594
Changes in assets and liabilities relating to operating activities:		
Trade accounts receivable	(251,810)	73,263
Accounts payable	62,864	(7,960)
Prepaid expenses	24,927	44,541
Net cash provided by operating activities	$ 3,853,495	$ 2,835,538

2006 and 2005 Noncash activities: The Indiana Port Commission had contracts and retainage payable on capital assets of $0 and $721,458 at December 31, 2006 and 2005.

See accompanying notes to financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting Entity: The Indiana Port Commission (Commission) is a body both Corporate and Politic created under Indiana Code Section 8-10-1-3 enacted by the General Assembly of the State of Indiana. The Commission is authorized to construct, maintain and operate public ports with terminal facilities and traffic exchange points for all forms of transportation on Lake Michigan and the Ohio and Wabash Rivers. The Commission consists of seven members appointed by the Governor. Accordingly, it is a component unit of the State of Indiana. Operating funds are derived from port activities, however, the majority of capital funds are provided by the state and the federal government.

The Commission's financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America. The financial statements include all the accounts of the Commission and its subsidiary, The Indiana Ports Railroad Holding Corporation (Railroad Holding Corporation). The Railroad Holding Corporation is a not-for-profit entity, which is the parent of the wholly owned subsidiaries of Clark Shortline Railroad Co., Burns Harbor Shortline Railroad Co., and Southwind Railroad Co. The Railroad Holding Corporation is currently inactive.

Measurement Focus, Basis of Accounting and Financial Reporting: The accounting policies of the Commission conform to accounting principles generally accepted in the United States of America as applicable to governments. The proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

The Commission accounts are organized into a single proprietary fund. The Commission's operations are financed and operated in a manner similar to private business enterprises. The intent of the governing body is that the costs of providing services on a continuing basis be financed and recovered primarily through user charges. Operating revenues and expenses are distinguished from non-operating items. Operating revenues and expenses generally result from providing services or leasing property. Operating expenses include the cost of providing services, administrative services, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Commission has adopted GASB Statement No. 20, "Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities that use Proprietary Fund Accounting." The Commission has elected to apply all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) pronouncements and Accounting Principles Board (APB) opinions, issued on or before November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates in Preparation of Financial Statements: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Reclassifications: Certain prior year amounts have been reclassified to conform to the current year presentation. Reclassifications had no impact on net assets.

Cash Equivalents: Cash equivalents consist of short-term, liquid investments which are readily convertible into cash or which have maturity of 30 days or less.

Trade Accounts Receivable and Deferred Income: Operating revenues include rental income derived from leasing port property. Amounts due from certain lease agreements are billed in advance and recognition of related revenue is deferred and recognized over the appropriate lease term service period. Trade receivables are reported at an amount that is net of advance billings of $403,643 and $380,212 at December 31, 2006 and 2005.

Allowance For Uncollectible Accounts: The allowance for uncollectible accounts is determined by management based upon historical losses, specific circumstances and general economic conditions. Periodically, management reviews accounts receivable and records an allowance based on current circumstances, and charges off the receivable against the allowance when all attempts to collect the receivable are deemed to have failed in accordance with collection policy. Management estimated that no allowance was necessary at December 31, 2006 and 2005.

Notes and Other Receivables: Notes receivables include amounts due from the City of Jeffersonville related to Vogt Valve and Beth Nova facilities. Other receivables relate to Consolidated Grain and Barge letter of credit to be used for infrastructure at Mt. Vernon. Management expects that the letter of credit will be used in 2007.

Capital Assets: Capital assets are stated at cost, or fair market value at date of gift, if donated. The Commission capitalizes additions and improvements that have a value over $500 and a useful life beyond one year. Depreciation is charged as an operating expense using the straight-line method over the estimated useful lives of the respective assets. Construction in progress consists of the costs of construction contracts and direct engineering costs incurred in the design and construction of port properties. Projects are capitalized when substantially complete.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Land and harbor improvements consist of both depreciable and non-depreciable types of assets. Infrastructure assets are capitalized. Estimated useful lives used in computing depreciation on property and equipment are as follows:

	Years
Land improvements	5 - 50
Harbor improvements	25 - 40
Dock and mooring facilities	10 - 40
Buildings and structures	5 - 30
Machinery and equipment	5 - 20
Office furniture and equipment	5 - 10
Trucks and autos	5

Appropriations from the State of Indiana: Appropriations are made by the legislature of the State of Indiana on a biennial basis. The Commission typically has four years in which to obtain the State Budget Agency's approval and allotment. Once funds are allotted, the Commission must submit claims for the State Budget Agency's payment. The Commission records as a receivable in the financial statements only those claims that have been approved for the State Budget Agency's payment, but have not been paid to the Commission. A summary of appropriations follows:

Biennium	Funds Approved	Funds Allotted	Allotted Funds Drawn	Allotted Funds Remaining
97-98	$ 6,800,000	$ 6,800,000	$ 6,800,000	$ -
99-00	8,540,000	7,960,000	7,210,000	750,000
	$ 15,340,000	$ 14,760,000	$ 14,010,000	$ 750,000

Net Assets: The Board of Commissioners has designated $10,800,000 of unrestricted net assets for working capital, risk management, and the renewal and replacement of Port assets.

NOTE 2 - DEPOSITS AND INVESTMENTS

The following summarizes the Commission's policies on deposit and investment activity:

Investment Policy and Legal and Contractual Provisions Governing Cash Deposits: Indiana statute authorizes the Commission to invest in obligations of the U.S. Treasury and U.S. agencies and certificates of deposits, repurchase agreements, passbook savings, money market deposit accounts and negotiable order of withdrawal accounts of Indiana institutions. The Commission does not have specific investment policies on concentration of risk, custodial credit risk, interest rate risk, or foreign currency risk.

During the years ending December 31, 2006 and 2005, the Commission only held checking accounts and certificates of deposit accounts with Indiana financial institutions.

Custodial Credit Risk: The Commission maintains its cash, cash equivalents and investments in accounts that are fully insured either by Federal Depository Insurance Corporation (FDIC) or by the Indiana Public Deposits Insurance Fund. Bank balances for checking accounts at December 31, 2006 and 2005 were $6,707,992 and $5,373,399, respectively.

Foreign Currency Risk: All Commission deposits and investment are denominated in United States currency.

Deposits and Investment Holdings: The Commission held the following cash, cash equivalents and investments at December 31, 2006 and 2005:

	2006	2005
Cash and cash equivalents:		
Demand deposit checking	$ 6,563,209	$ 4,984,604
Certificates of deposit – less than 30 day maturity	-	1,000,000
Investments:		
Certificates of deposit	7,500,000	4,514,914
	$ 14,063,209	$ 10,499,518

NOTE 3 - CAPITAL ASSETS

Capital Assets consisted of the following at December 31, 2006 and 2005:

	2006	2005
Land	$ 13,168,970	$ 14,523,433
Land improvements	37,346,185	36,457,675
Harbor improvements	17,360,670	18,811,342
Docks and mooring facilities	31,256,378	32,537,416
Buildings and structures	16,446,496	17,101,011
Machinery and equipment	604,763	169,018
Office furniture and equipment	299,717	1,088,305
Trucks and automobiles	1,032,469	650,263
Construction in progress	1,179,179	1,607,432
	118,694,827	122,945,895
Accumulated depreciation	(46,431,161)	(48,447,697)
	$ 72,263,666	$ 74,498,198

Activity from January 1, 2006 through December 31, 2006 included:

	Capital Assets	Construction in Progress	Total	Accumulated Depreciation
Beginning balance	$ 121,338,463	$ 1,607,432	$ 122,945,895	$(48,447,697)
Additions	977,939	1,350,285	2,328,224	-
Transfers	1,052,095	(1,052,095)	-	-
Retirements	(5,852,849)	(726,443)	(6,579,292)	4,573,415
Depreciation	-	-	-	(2,556,879)
Ending balance	$ 117,515,648	$ 1,179,180	$ 118,694,827	$(46,431,161)

NOTE 3 - CAPITAL ASSETS (Continued)

Activity from January 1, 2005 through December 31, 2005 included:

	Capital Assets	Construction in Progress	Total	Accumulated Depreciation
Beginning balance	$ 118,807,511	$ 1,172,342	$ 119,979,853	$ (46,009,103)
Additions	49,502	2,916,540	2,966,042	-
Transfers	2,481,450	(2,481,450)	-	-
Depreciation	-	-	-	(2,438,594)
Ending balance	$ 121,338,463	$ 1,607,432	$ 122,945,895	$ (48,447,697)

During the year ended December 31, 2006, the Commission had capital asset retirements of $5,852,849. There were no material dispositions or sales of capital assets during the year ended December 31, 2005.

NOTE 4 - CAPITAL AND OPERATING LEASES

Direct Financing Lease Receivable: During 1994, the Commission, as lessor, entered into a direct financing lease with a tenant for a building originally constructed by the Commission. Security agreements were obtained as collateral for the lease receivable. The Commission can repossess the structure if the customer defaults on the lease agreement. The components of the Commission's investment in the lease at December 31, 2006 and 2005 are as follows:

	2006	2005
Future minimum lease payments receivable	$ 1,563,306	$ 1,774,089
Unearned interest income	463,905	549,708
Long-term net investment in direct financing lease	$ 1,099,041	$ 1,224,381

The future minimum lease payments to be received for this lease in each of the five succeeding years and thereafter are as follows:

Year Ending December 31,	
2007	$ 210,783
2008	210,783
2009	210,783
2010	210,783
2011	210,783
2012-2014	509,391
	$ 1,563,306

NOTE 4 - CAPITAL AND OPERATING LEASES (Continued)

Operating Leases of a Lessor: The Commission is engaged in leasing various properties to tenants under operating leases expiring over the next 1-31 years. The lease agreements include property rental and annual minimums on cargo tonnage at a tariff rate per ton based on the type of cargo shipped in and out of the ports. A majority of the Commission's capital assets are available for lease.

The approximate future minimum lease payments to be received in each of the five succeeding years and thereafter under noncancelable operating leases are as follows:

Year Ending December 31,	
2007	$ 5,076,792
2008	5,140,842
2009	3,457,951
2010	2,986,440
2011	2,709,823
2012 - 2016	7,621,279
2017 - 2021	7,085,092
2022 - 2026	6,004,360
2027 - 2031	1,995,919
2032 - 2036	1,732,970
2037 – 2038	693,188
	$ 44,504,656

Operating Lease Obligations: The Commission, as lessee, leases office space under an operating lease that expires on December 31, 2007. Rent expense was $97,670 and $95,204 for 2006 and 2005. The minimum annual future lease payments for the office space are $100,838 for 2007.

NOTE 5 - CONDUIT DEBT OBLIGATIONS

From time to time, the Commission has issued Port Revenue Bonds to provide assistance to private sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are special obligations of the Commission payable from and secured solely by a pledge of debt service rentals. Principal and interest is payable from certain amounts payable to the Commission by the private-sector entity and the guarantor pursuant to the lease and guarantor agreement. Neither the Commission, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds beyond the resources provided by the related lease agreements. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

NOTE 5 - CONDUIT DEBT OBLIGATIONS (Continued)

As of December 31, 2006 and 2005, Port Revenue Bonds outstanding were $36,965,000 and $37,960,000. As of December 31, 2006, there were four Port Revenue Bonds including the following:

Project and Series	Maturity	Outstanding Principal
Indiana Port Commission, Port Refunding Revenue Bonds, Series of 1992 (Cargill Project)	Term bond payment in 2012	$ 21,950,000
Indiana Port Commission Port Revenue Bonds, Series 2002 (Kosmos Cement Company Project)	Term bond payment in 2020	5,500,000
Indiana Port Commission Port Revenue Bonds, Series 1994 (American Commercial Marine)	Serial payments through 2007 and term bond payments through 2014	1,640,000
Indiana Port Commission Port Revenue Bonds, Series 2006 (Berry Plastics)	Termination date is defined in trust indenture	7,875,000
		$ 36,965,000

NOTE 6 - CONTINGENT LIABILITIES

In August 1996, a resident filed suit against the Commission and other defendants alleging that various structures erected in Lake Michigan, including, the breakwater which protects the Harbor at Burns Harbor/Portage, has caused erosion on the adjacent shoreline to an extent the plaintiff's shorefront property is being lost and other property has been damaged. The case was filed in the Porter County Superior Court. In addition, eighty-one other property owners had asserted similar claims. In April 1998, the court dismissed the action without prejudice for reasons that are not entirely clear. Outside Counsel is unable, in view of inherent uncertainties, to state an opinion whether additional litigation at a different level is either probable or remote, as such terms are defined in Paragraph 5 of the ABA Statement of Policy.

NOTE 7 - DEFERRED COMPENSATION BENEFITS

The Commission offers two deferred compensation plans to all its employees under plans administered by the Public Employees Benefit Services Corporation (PEBSCO) and Indiana Deferred Compensation (IDC), and each is established in accordance with Internal Revenue Code Section 457. Employees are permitted to defer a portion of their salary until future years. Only upon terminations, retirement, death, or an unforeseen emergency is the deferred compensation available to an employee. Federal House Bill 3448 mandated that, effective January 1, 2000, all existing Internal Revenue Code Section 457 plan assets must be held in a qualified trust for the benefit of participants and their beneficiaries.

Because these assets are held by a custodian, for the specific benefit of participants and their beneficiaries, they are not reflected in the financial statements and are free from claims of Indiana Port Commission creditors. The fair market value of PEBSCO investments held in custodial funds for participants was $531,324 and $437,999 at December 31, 2006 and 2005. The fair market value of IDC investments held in custodial funds for participants was $236,740 and $217,298 at December 31, 2006 and 2005.

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF)

The Commission contributes to PERF, an agent multiple employee public employee retirement system, which acts as a common investment and administrative agent for state employees and employees of the various subdivisions of the State of Indiana.

All full-time employees are eligible to participate in this defined benefit plan. State statutes (Indiana Code 5-10.2 and 5-10.3) give the Commission the right to contribute and govern most requirements of the system, including the benefits, which vest after 10 years of service. Employees who have reached fifty years of age may receive retirement benefits with 15 years of service. An employee may receive benefits at age sixty-five with 10 years of service.

Employees are required to contribute 3% of their annual compensation to an annuity savings account. Effective July 1, 1986, legislation permits a PERF employer to make the employee contributions on behalf of the employee. The Commission elected to make, on behalf of covered employees, the employees' contribution that may be financed by the employer. These accumulated employee contributions and allocated interest income are maintained by PERF in a separate system wide fund for all members. Upon retirement, members may elect a lump sum distribution of all or part of the savings account. Employees who leave employment before qualifying for benefits receive a refund of this savings account.

All assets of the plans are held by and invested by PERF. Investments are mainly in obligations of the U.S. Government, federal agencies and in equity securities.

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

The pension benefit obligation is a standardized disclosure measure of the present value of pension benefits, adjusted for the effects of projected salary increases and step rate benefits, estimated to be payable in the future as a result of employee service to date. The measure is intended to help users assess the funding status of PERF on a going-concern basis, assess progress made in accumulating sufficient assets to pay benefits when due, and make comparisons among employees. The measure is the actuarial present value of credited projected benefits and is independent of the funding method used to determine contributions to the plan. However, PERF performed an actuarial valuation of the Commission's plan as of June 30, 1998 which is included in the Annual Report of the Indiana Public Employees' Retirement Fund for state employees and employees of the various subdivisions of the State of Indiana.

Funding Policy: PERF's funding policy provides for actuarially determined periodic contributions at rates that for individual employers increase gradually over time so that sufficient assets will be available to pay benefits when due. The entry age normal cost method is used to determine the contribution requirements and the actuarial accrued liability.

The annual contribution to PERF is determined as part of the July 1, 2006 actuarial valuation and consists of the amortization of the unfunded actuarial accrued liability (expressed as a level dollar amount), plus the entry age normal cost (expressed as a percentage of total payroll).

Summary of Major Actuarial Assumptions: Actuarial assumptions include:

- Interest - 7.25% (net of administrative and investment expenses)
- Future Salary Increases - Based on PERF experience 1995-2000
- Cost of Living Increases - An increase of 1.0% (compounded) is assumed to be applied to the pension benefit each year following retirement. No increase is assumed to be applied to the PERF annuity benefit.
- Mortality - UP-1994. Pre-retirement mortality based on PERF experience 1995-2000.
- Disability - Based on PERF experience 1995-2000
- Termination - Select and ultimate tables based on PERF experience 1995-2000. Separate tables are used for state employees and political subdivision employees.
- Retirement - Based on PERF experience 1995-2000.
- Spouse's Benefit - 90% of participants are assumed either to be married or to have a dependent beneficiary. Males are assumed to be 3 years older than their spouses.

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

Summary of Major Plan Provisions: Plan provisions include:

- Participation - All full time employees of the State of Indiana and all full time employees of political subdivisions which have adopted the plan must become members of PERF upon date of hire.
- Eligibility for annuity benefits:
  - Normal Retirement Earliest of:
    - Age 65 with 10 years of creditable service;
    - Age 60 with 15 years of creditable service;
    - Sum of age and creditable service equal to 85 (but not earlier than age 55).
  - Early Retirement - Age 50 with 15 years of creditable service
  - Late Retirement - Subject to continued employment after normal retirement
  - Disability Retirement - 5 years of creditable service and qualified for Social Security disability benefits or federal Civil Service disability benefits.
  - Termination - 10 years of creditable service and election not to take lump sum payment of employee account balance with interest.
  - Pre-Retirement Death - If death occurs in service, 15 years of creditable service. If death occurs after separating from service, age 50 with 15 years of creditable service.

Amount of Benefits: Benefit amounts include:

- Normal Retirement - The normal retirement benefit is an annuity payable for life with 60 months guaranteed and is equal to 1.1% of average monthly earnings times years of creditable service earned.
- Early Retirement - The early retirement benefit is the accrued retirement benefit determined as of the early retirement date and payable commencing at the normal retirement date. A participant may elect to have the benefit commence prior to normal retirement provided the benefit is reduced by 1/10% for each of the first 60 months and by 5/12% for each of the next 120 months that the benefit commencement date precedes the normal retirement date.

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

- Late Retirement - The late retirement benefit is calculated in the same manner as the normal retirement benefit. Creditable service and earnings earned after normal retirement is included in the computation.
- Disability Retirement - The disability retirement benefit is the accrued retirement benefit determined as of the disability date and payable commencing the month following disability date without reduction for early commencement.
- Termination The termination benefit is the accrued retirement benefit determined as of the termination date and payable commencing at 65. If the participant has 15 or more years of creditable service, then the participant may elect to receive a reduced early retirement benefit.
- Pre-Retirement Death The spouse or dependent beneficiary is entitled to receive the monthly life annuity under the assumption that the participant retired on the later of age 50 or the day before the date of death and elected the joint and full survivor option.
- Employee Contributions Each participant is required to contribute to an employee annuity at the rate of 3% of pay (unless the employer has opted to make the contribution for the employee). These contributions are kept on deposit and credited with interest until such time as they are refunded or used to provide the annuity benefit at retirement. The benefits provided by employee contributions are in addition to the benefits provided by employer contributions. The monthly annuity provided at a normal retirement age of 65 is equal to $1.00 for each $108.79 of accumulated employee contributions plus interest.

Schedule of Employer Contributions

Valuation Date	Annual Required Contributions	Actual Employer Contributions	Net Pension Obligation	Net Percentage Contributed
7/1/06	$ 98,913	$ 71,032	$ 36,531	72%
7/1/05	$ 84,240	$ 65,707	$ 8,650	78%
7/1/04	$ 70,469	$ 49,328	$ (9,899)	70%

The contributions to PERF were in accordance with actuarially determined requirements computed through an actuarial valuation performed as of July 1, 2006.

NOTE 8 - PENSION PLAN - PUBLIC EMPLOYEE'S RETIREMENT FUND (PERF) (Continued)

Trend information gives an indication of the progress made in accumulating sufficient assets to pay benefits when due. Historical funding information of the system may be found in the Annual Report of the Indiana Public Employees' Retirement Fund.

Schedule of Funding Progress of Toll Road Project's Participation in the Public Employees Retirement Fund (PERF) (In thousands of dollars)

Actuarial Valuation Date	Non retired Valuation Assets	Actuarial Accrued Liability AAL	Excess of Assets Over (Unfunded) AAL	Funded Ratio	Covered Payroll	Excess/ Unfunded liability as a Percentage of Payroll
7/1/06	$ 1,602,280	$ 1,587,240	$ 15,040	101%	$ 1,732,037	1%
7/1/05	$ 1,653,807	$ 1,824,282	$ (170,475)	91%	$ 1,662,992	10%
7/1/04	$ 2,216,203	$ 1,816,774	$ 399,429	122%	$ 1,563,155	26%

Note: The Indiana Port Commission is considered as part of the State of Indiana. The above assets are an allocation based on the Commission's percentage of the Accrued Liability. Payroll for employees covered by the plan for the years ended December 31, 2006 and 2005 was $1,442,607 and $1,680,536. The total payroll for the same period was $1,599,707 and $1,816,940.

Analysis of the dollar amounts of net assets available for benefits, pension benefit obligation, and assets in excess of the pension benefit obligation in isolation can be misleading. Expressing the net assets available for benefits as a percentage of the pension benefit obligation provides one indication of the funding status on a going-concern basis. Analysis of this percentage over time indicates whether Commission's participation in PERF is becoming financially stronger or weaker. Generally, the greater this percentage, the stronger the plan. Trends in assets in excess of the pension benefit obligation and annual covered payroll are both affected by inflation. Expressing the assets in excess of the pension benefit obligation as a percentage of annual covered payroll approximately adjusts for effects of inflation and aids analysis of the Indiana Port Commisson's progress made in accumulating sufficient assets to pay benefits when due. Generally, the larger this percentage the stronger the plan.

Certain ten-year historical trend information relative to the defined benefit plan as required by Governmental Accounting Standards Board Statement No. 5 is available for the multi-employer plan in the PERF report.

SUPPLEMENTAL SCHEDULES

Crowe

Crowe Chizek and Company LLC
Member Horwath International

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Members of the Indiana Port Commission
Indianapolis, Indiana

We have audited the financial statements of the Indiana Port Commission (Commission) as of and for the year ended December 31, 2006, and have issued our report thereon dated the same date as this report. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards,* issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Commission's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Commission's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Commission's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control. Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Commission's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*

We noted certain matters that we reported to management of the Commission in a separate letter dated March 30, 2007.

This report is intended for the information and use of management and the Indiana State Board of Accounts and is not intended to be and should not be used by anyone other than these specified parties.

Crowe Chizek and Company LLC

Crowe Chizek and Company LLC

Indianapolis, Indiana
March 30, 2007

INDIANA PORT COMMISSION
SCHEDULE OF PORT INCOME FROM OPERATIONS
Year ended December 31, 2006 with comparative totals for 2005

	2006					
	Burns Harbor Portage	Mt. Vernon Maritime Center	Jeffersonville Maritime Center	Central Support Services	IPC Total	2005 IPC Total
Operating revenues						
Maritime services	$ 1,325,511	$ 676,023	$ 470,060	$ -	$ 2,471,594	$ 1,937,415
Facility rentals	2,767,421	716,909	666,613	-	4,150,943	3,739,455
Other user fees	227,762	39,538	253,659	-	520,959	420,220
FTZ operator fees	11,000	61,001	420	-	72,421	97,750
Other operating fees	352,401	16,952	25,350	137,763	532,466	549,771
Total operating revenues	4,684,093	1,510,423	1,416,102	137,763	7,748,383	6,744,611
Operating expenses						
Salaries and wages	368,539	245,303	171,109	861,630	1,646,581	1,870,067
Employee benefits, taxes and insurance	140,644	89,376	56,287	235,786	522,093	520,722
Employee travel	16,977	11,712	2,170	77,661	108,520	137,315
Temporarily hired services	-	-	-	11,995	11,995	39,376
Security services	225,738	299	675	-	226,712	245,452
Legal services	612	30	374	78,397	79,413	115,069
Accounting services	-	-	-	34,664	34,664	24,000
Computer services	-	-	-	20,537	20,537	18,685
Advertising and public relations	9,074	3,249	9,533	95,604	117,460	96,925
Association membership	40,642	2,269	7,025	36,706	86,642	60,803
Other professional services	1,349	1,000	29,782	64,589	96,720	99,046
Maintenance	108,862	29,866	34,316	4,539	177,583	210,152
Insurance	124,002	55,795	69,937	15,805	265,539	250,094
Utilities	71,203	36,752	6,513	462	114,930	103,847
Office supplies	31,638	12,755	18,224	46,235	108,852	128,480
Property rentals	(1,000)	-	-	97,670	96,670	95,204
Miscellaneous	-	10,010	2	5,938	15,958	3,860
Total operating expenses before net depreciation	1,138,288	498,416	405,947	1,688,218	3,730,869	4,019,097
Net depreciation	1,475,137	593,331	473,413	14,998	2,556,879	2,438,594
Total operating expenses	2,613,425	1,091,747	879,360	1,703,216	6,287,748	6,457,691
Income (loss) from operations	$ 2,070,670	$ 418,676	$ 536,742	$ (1,565,453)	$ 1,460,635	$ 286,920

INDIANA PORT COMMISSION
SCHEDULE OF ACTUAL OPERATING EXPENSES COMPARED TO BUDGET
Year ended December 31, 2006

	Actual Expenses	Budgeted Expenses	Variance (Over) Under
Salaries and benefits	$ 2,168,674	$ 2,480,934	$ 312,260
Professional services	96,720	305,000	208,280
Marketing and advertising	117,460	117,200	(260)
Insurance	265,539	252,029	(13,510)
Facility Rental	96,670	99,828	3,158
Maintenance and utilities	292,513	304,075	11,562
Other office and administrative expenses	693,293	876,212	192,973
Total operating expenses	$ 3,730,869	$ 4,435,278	$ 714,463